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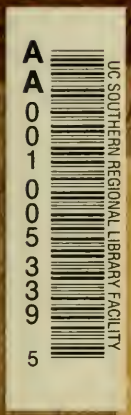
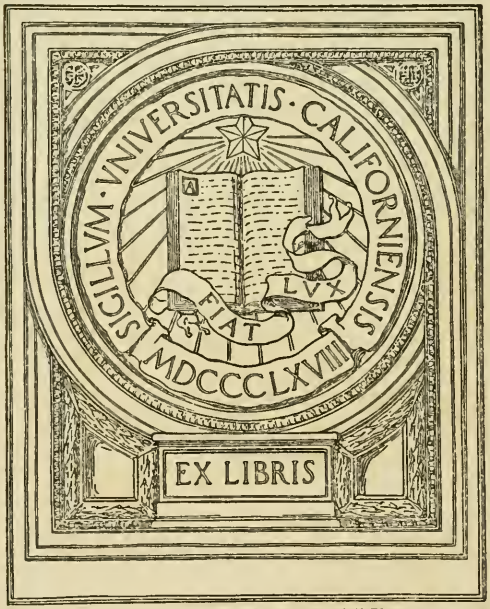


The War Traders: An Exposure

By
George Herbert Perris

UNIVERSITY OF CALIFORNIA
AT LOS ANGELES



THE WAR TRADERS:

AN EXPOSURE

BY

GEORGE HERBERT PERRIS

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THE WAR TRADERS:

AN EXPOSURE

PREFACE.

The substance of the following paper was read at the National Peace Congress, Leeds, on June 11, 1913. On the previous evening, in the House of Commons, in answer to a request that he would print lists of the larger Government contractors, Mr. Asquith had declined to satisfy what he called "a roving curiosity." It is so many years since my "curiosity" began to "rove" in this field that I should hardly have been drawn back to the subject at this time but for two considerations.

The first arose from Dr. Liebknecht's revelations in the Reichstag, and the manner of their reception in this country. It seemed necessary to show that Germany has no monopoly of the evil here dealt with, and to state more emphatically than heretofore the chief corollary to the proposition so well argued by Mr. Norman Angell, that war does not, and as between great modern nations cannot, pay. War does not pay the nations. But war panics and preparations do, all the time and on an enormous scale, pay powerful groups of men in each nation; and it may be doubted whether any real peace will be achieved till this association of political power and the private trade in arms is broken.

Secondly, the Marconi trials and inquiry have set up new currents of critical thought. Men who differ in their view of this melancholy episode may yet agree in hoping that it may result in a generally higher standard of public duty. But if that end is to be attained, there will have to be a much wider inquiry into the connection between Parliamentary or administrative power and private profit-making than has yet been attempted.

Three motives meet, then, in the following pages—international peace, national economy, and purity of public life.

I have sought to state the case in precise terms, and to exclude any statement as to fact that is not verifiable.

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Thanks to the reticence of successive Governments and the companies concerned, parts of the subject are still "wropt in myst'ry." But indiscretions will occur, even in the best regulated businesses; and some of these have been particularly enlightening. For the rest, I am indebted almost exclusively to the columns of the *Times* and its Financial Supplements, the *Economist*, and other financial journals, the "Stock Exchange Year book," the "Directory of Directors," "Who's Who," "Who's Who in Business," and other financial reference books, the various Army and Navy Annuals, certain company reports and balance-sheets, the Parliamentary debates, and several former pamphlets and articles of my own.

Two series of articles which have appeared since this paper was undertaken may be here mentioned, the one by "P.W.W." in the *Daily News*, where some points of the Mulliner episode have been more fully dealt with, and the other in the *Labour Leader*, by Mr J. T. Walton Newbold, who has analysed not only the directorships, but the lists of shareholders of some of the leading companies. The *Investors' Review* has also printed some of the share lists. This is a point upon which I have not entered in any detail.

June, 1913.

I.—PATRIOTISM AND PROFITS.

If there is one convention that overrides all others in Europe, it is that of the peculiar sanctity of the processes and apparatus of "national defence." In France the Army, in England the Navy, is the Ark of the Covenant. They represent not merely the prestige, glory, and honour of the Fatherland, but the very possibility of its existence. Without them we cannot live. They are our bravest, purest, chivalry. The uniform and the flag cover them as with a holy mantle. Governments, therefore, cannot make too solemn a face, citizens cannot make sacrifices too large, when the need of strengthening this power of slaughter is declared by those in authority over us. This is the only Patriotism; the man who dares to question it is a traitor to his country.

We of the Peace Party have usually been content to describe this conventional Patriotism as a superstition, a slander on our own nature and that of our fellow men in other countries. But this is not the whole truth. Every superstition is based upon a trade; and this is no exception to the rule. I propose in the following pages to attempt a brief scientific analysis of the trading interests (so far as they are visible in Great Britain) which underlie the patriotic superstition of our day.

The arsenals, dockyards, and factories belonging to the State play a smaller and smaller part in the provision of the national armament. The great mass of this material—five-sixths of the new naval construction, for instance—is produced by private firms. The chief armament companies registered in this country—those having a capital of more than a million sterling—are seven in number:

	Capital. £
1. Armstrong, Whitworth, & Co.	9,512,000
2. Vickers, Ltd.	8,588,000
3. Cammell, Laird, & Co.	4,075,000
4. Wm. Beardmore & Co.	3,703,000
5. John Brown & Co.	3,573,000
6. The Nobel Dynamite Trust	3,285,000
7. Coventry Ordnance Co.	1,400,000

These figures include £2,000,000 just added to the capital of Armstrong's, and £740,000 to that of Vickers', mainly for extensions and foreign branches.*

* Details of these sums will be found in the *Economist* of April 26, 1913.

There are many other firms—I. J. Thorneycroft and Co., with a capital of £607,000; J. S. White and Co., of East Cowes, who are building six ocean-going destroyers for Chile; Whitehead Torpedo Works; Scotts, Ltd., of Greenock; the Birmingham Small Arms Co., the British South African Explosives Co., the Birmingham Metal and Munitions Co., Kynoch, Ltd.; Curtis's and Harvey, etc.; and, of course, firms like Harland and Wolff and Palmer's do much Admiralty work, while the Army contractors are too numerous to mention. Many of these companies do civil as well as military and naval business. It is impossible to distinguish between the capital used for the one and the other purpose; and it is, therefore, impossible to say how much private money is invested in this country in the trade of war. But the seven chief firms alone have now a combined capital of about £34,000,000 (less some little duplication in the figures); and it seems not improbable that the total capitalisation of the British armaments business may be fifty millions sterling or more. The amount of new naval construction alone which was given to private contractors last year amounted to more than twelve million pounds sterling.

The first thing to note, then, is the vast size and wealth of these concerns which flourish upon the nation's suffering, and suffer when the national burden is lightened. Most of them have done prodigiously well in recent years, especially since the anti-German scare of 1899. The Vickers and Armstrong firms alone have distributed about a million-and-a-half sterling in profits this year, and are increasing their capital by about 2¾ millions. Let me give some illustrative details. The shareholders of Armstrong, Whitworth, and Co., had this year, as the *Times* said, an "agreeable surprise," in the shape of "a 12½ per cent. dividend on the Ordinary, with a bonus of one share for every four previously held, which, at the current value of the shares is practically equal to 14s. per share. . . . This conversion of undivided profits into new capital shows that the directors take a confident view of the near future. . . . For the years of the present century, the dividend has never fallen below 10 per cent., and on five or six occasions it has been as high as 15 per cent.; and this comes after deducting nearly £90,000 for Debenture interest (not including the stock held by the Company itself) and £40,000 for Preference dividend." These profits do not trench on a special reserve of £459,000; and they are in spite of the large outlay in moving the principal works from Elswick to Walker-on-Tyne. Beside its British contracts, the company has had on hand during the past

year a battleship for Turkey, another for Brazil, and another for Chili, the last two being "larger and more powerful" than any British vessel built by the firm.† It is now, or has lately been, building also for Japan and Argentina. It is said that the company "supports 120,000 men, women, and children by the Newcastle-on-Tyne works alone—that is, about a third of the whole population."*

At the annual meeting of Vickers, Ltd., on March 28, 1913, Mr. Albert Vickers, the Chairman, was also able to congratulate the shareholders on "a successful year" at their Sheffield, Barrow, Erith, and Birmingham Works. In 1912 alone, the assets of the company increased by about £1,168,000. A dividend of 10 per cent. on the ordinary shares was declared (as in each of the past five years), and there was some complaint that it was not 15 per cent. It was also decided to issue £740,000 of new ordinary shares. The new automatic rifle-calibre gun of this firm has lately been adopted by five Governments.

The third of the seven great firms, Cammell, Laird, and Co., of Sheffield and Birkenhead, has had a more chequered career, partly because of a disastrous difference with the Admiralty and War Office in 1907, and partly because a large investment in the Coventry Ordnance Works did not turn out well. I shall refer to the enlightening history of the latter adventure presently. In the four years, 1903-6, Cammell, Laird made net profits amounting to £833,000. Up to the latter year they had distributed for nine years dividends on the ordinary shares averaging over 12 per cent. During 1907, certain mysterious "irregularities," of which no definite information was given, were discovered at the Sheffield Works, and the Company were struck off the lists of Army and Navy contractors. In order to secure reinstatement, the chairman and two managing directors resigned, and Government work was then recovered. This episode cost the Company a loss of £169,000 in 1907 and 1908; and while, in the four subsequent years, profits have been made to the amount of £535,000, this has not permitted the distribution of any ordinary dividends.

Of John Brown and Co., which is now engaged in building "the most powerful battle cruiser in the world," appropriately named "The Tiger," the *Times* remarks that "to have paid 7½ per cent. for five successive years, in spite of labour troubles and increased working costs, is no mean achievement."

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† Statement by Sir Andrew Noble, April 19, 1912.

* *Times* Financial Supplement, March 29, 1913.

II.—THE SHARING OF £73,000,000.

The letter of Cammell, Laird's to the late Lord Tweedmouth, appealing for reinstatement on the Admiralty List, naturally indicated the hardship falling upon the owners of four millions of share and debenture capital, and upon the 15,000 men employed in works directly owned by the Company. This class of investment is not commonly held in small quantities by poor people; it is naturally a property of the well-to-do and the influential. In 1909 the *Investors' Review* examined the share lists of several armaments companies, and it found in that of Armstrong, Whitworth alone the names of 60 noblemen, their wives, sons, or daughters, 15 baronets, 20 knights, 8 M.P.s, 20 Military and Naval officers, and 8 journalists. Later lists show, among other things, a marked connection between armaments' share-holding and active membership of bodies like the Navy League. But let us look the facts in the face. The influence of this traffic does not arise merely from the wealth of its directors and the power they hold in Parliament, and the daily Press. Militarism is strong in England because Lazarus gets some poor pickings from the feast of Dives. We do not always realise that, while we have by far the most powerful Navy, the British Empire has also, upon the peace establishment, the largest military force in the world, the Russian Army alone excepted. It now falls little short of a million men,* and when compulsory military service is fully developed in Australasia, it will considerably exceed a million. Of these, 725,000 are Britishers, 600,000 of whom are located at home, and the remainder exiled mainly in tropical or sub-tropical lands. About 480,000 of them are liable for service in any part of the world in war time. To these must be added 185,000 men of the Fleet and its Reserves. The wages of the Navy and Regular Army amount to over £16,000,000 a year.

Behind this force of 910,000 able-bodied and middle-aged Britishers of the two "services," there lie two bodies, also of adult men, mostly skilled and able-bodied, of whose numbers we have no exact count:—(1) Those engaged in the arsenals and dockyards and in the works and factories of the armaments' contractors, and (2) Pensioners, small and large, possibly 100,000 of them, since their cost on the Estimates is about £2,500,000 a year. In the case of the

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* *In Great Britain*: Regulars, 130,000; Army Reserve 139,000; Special Reserve, 63,000; Territorial Force, 268,000; total, 600,000. *In India*: British Regulars, 78,000; Native Troops, 165,000; total, 243,000. *In the Colonies*: British Regulars, 47,000; Colonial Militia (rapidly expanding under compulsion—say) 100,000; total, 147,000. *Total* 990,000.

Elswick Works, a small number of workmen have an interest in the sale of arms not only as wage-earners, but under a system of profit-sharing. On their deposits, a fixed interest of 4 per cent. is paid, *plus* a dividend equal to half the amount by which the ordinary dividend exceeds 4 per cent., but so that the total does not exceed 10 per cent. Thus, if the ordinary share dividend be 10 per cent., the workman depositor gets 4 per cent. *plus* half of 6 per cent. equals 7 per cent. Of 16,000 employees at the end of 1911, only 2,788 came within this scheme, their deposits amounting to £241,788.

The probability is that 1,500,000 adult able-bodied men—which is equal to one in six of the "occupied" adult males of the United Kingdom—share to some extent in the £73,000,000 a year which "National Defence" now costs us. The "share" varies greatly, of course. The Territorials give in labour very much more than they cost in money; they are only included for the sake of completeness. As to the great body of the soldiers, sailors, and armament workmen, it is enough to say that they are nearly all compelled by poverty, and that, if they have come to see their own interests in the maintenance of this particular trade, it is not so much their fault as the fault of society at large. As a vast constituency favourable to prodigal expenditure on armaments, we cannot ignore them, although they get none of the big prizes of the war trade.

III.—COMPANIES AND COMBINES.

We may now examine more closely the character and methods of our seven chief firms. I suppose that, if asked, the average man would say they were seven independent businesses, competing, in a patriotic spirit, for the patriotic work the Government gives them, and peculiarly subject to fluctuations of fortune according to the state of international relations. Yet this answer would be far wide of the truth. They were once, indeed, independent businesses; they are now highly syndicated, and compete as little as possible. If they are patriots, it is in a new and singularly impartial kind—British on Monday, Russian on Tuesday, Canadian on Wednesday, Italian on Thursday, and so on, as orders may be got from China to Peru. Finally, as we shall see, these are not the kind of men to wait upon the fortunes of political parties; they make their own politics,

they make their fortunes by moulding international relations to their own will.

Sir Andrew Noble, Chairman of Armstrong, Whitworth, and Co., recently spoke in public of the "keen rivalry" of the leading firms; and, no doubt, competition continues within a considerable field. For instance, three British groups are preparing to exploit the patriotic sentiment that is now being so assiduously cultivated in Canada. The first, the Canadian Shipbuilding Company, is a subsidiary of John Brown and Co., with a capital of £2,000,000 sterling, and works at Sydney, Cape Breton Isle, which will soon be able to turn out the largest Dreadnoughts. Secondly, Vickers Ltd. have incorporated a Canadian Company at Montreal, with a capital of a million sterling. And now we learn that Sir P. Girouard and Sir G. H. Murray have just returned from Montreal, where they have been buying for Messrs. Armstrong the site for large works on the South shore of the St. Lawrence. Again, the great firms are preparing to exploit the latest victory of man over Nature, aerial navigation, for the purposes of warfare. Messrs. Vickers are building naval airship works on Walney Island, Barrow, where a thousand or more men will presently be employed. Messrs. Armstrong are also entering upon the construction of military aeroplanes and airships.

Things are not exactly what they seem in this sphere, and we do not know to what extent these concerns will compete. But the Trust tendencies in the armaments trade have long been known to the economic student. The process differs in different countries, in the case of this as of other manufactures. In England it has taken four main forms—the absorption of minor in major companies; the creation by major companies of minor companies in strict tutelage to carry out special kinds of work; the amalgamation or syndication of firms in associated branches of industry; and the formation of syndicates which do not themselves manufacture, but hold the shares of different companies, and so effect a community of interests. Sometimes these forms are mixed. Thus, in 1903, Messrs Cammell, Laird bought the Mulliner-Wigley Company, Ltd. Two years later, Cammell, Laird came to an agreement with John Brown and Co. and the Fairfield Shipbuilding Co., by which the subsidiary business was rechristened the Coventry Ordnance Co., a half of the capital being held by Brown's, and a quarter each by Cammell and Fairfield. The various kinds of interconnection which I have named are now a common feature in annual reports and shareholders' meetings. At this year's meeting of Vickers, Ltd., the Chairman said that "the subsidiary and connected com-

panies had brought much profitable business to the Vickers Company, in addition to the satisfactory profits which they contributed as the result of their own direct working. That was, perhaps, especially true of foreign business."

The tendency towards Trustification was well known; it is in the nature of all great routine businesses of our day, and the only surprising thing revealed by careful search is the degree to which the process has gone. The great body of the War Trade is now, in fact, a vast financial network, in which firms apparently independent are strengthened by absorption, and linked together by an intricate system of joint shareholding and common directorships. Thus, Vickers, Ltd. absorbed the Naval Construction Co., of Barrow, the Maxim-Nordenfeldt Co., and the Electrical and Ordnance Co., Ltd. They hold half the share capital of Beardmores, and are directorially connected with Cammell, Laird and Co., Whitehead and Co. (torpedo manufacturers), the Chilworth Gunpowder Co., the Harvey Armour-Plate Co., and other companies. Armstrong, Whitworth, and Co. absorbed Mitchell's Shipbuilding Works at Newcastle, and are directorially connected with the Whitehead and other companies. We have seen the connection of John Brown and Co., of Sheffield and Clydebank, with the Coventry Ordnance Co.; they also hold most of the shares in Thos. Firth and Sons, armour-plate rollers, and a participating interest in Harland and Wolff; they own the Clydebank Engineering and Shipbuilding Company, besides various mines and iron works, and are connected, through directors and debenture trustees, with Palmer's, Cammell, Laird, The Projectile Co., and other firms. Cammell, Laird, in turn, hold half the shares of the Fairfield Co., besides a quarter of those of the Coventry Co., and are connected with Vickers, Ltd., and other firms. Last year's balance-sheets stated the interest in subsidiary companies to amount to over four millions sterling in the case of Vickers, and two millions each in those of Armstrong's and Cammell, Laird's.

In spite of this close inter-connection the convention of "secrecy" is maintained. During the recent meetings of the Institution of Naval Architects in Glasgow, the principal works were practically closed to the visiting experts, on the ground that Government contracts were in hand.

IV.—COSMOPOLITANISM IN ARMS.

The most remarkable feature of this syndicated business is its foreign development. Very rarely a company moves

itself bodily over the frontier: thus, the French Hotchkiss Company, registered in 1887, took over last year the business of the English Hotchkiss Company. But, generally speaking, the British flag remains an "asset," as was said on a famous occasion. The building of foreign battleships in British yards would be anomalous enough, if Imperialist patriotism were what it pretends to be. But what are we to say of the Continental yards of British firms, which exist only to defend our foreign "rivals," and do not even yield British labour its poor solatium? Looking down from the hillside of Pozzuoli over the Bay of Naples, the visitor is surprised that this lovely coast should be defaced by a red-brick pile with towering chimneys. It is the arsenal of the British Armstrong-Pozzuoli Company, which employs four thousand men, and is the chief naval supply source of Germany's second ally. As the Ansaldo-Armstrong Company of Genoa, the same firm has built two Dreadnoughts and several cruisers for Italy, and has built minor vessels for Turkey. Armstrong's also have an ordnance and armour-plate works in Japan; and they are part owners, with Vickers and John Brown and Co., of the "Hispaña" Naval Construction establishment at Ferrol, a chief instrument of King Alfonso's ambitions and the pauperisation of the Spanish peasant. Vickers, Ltd., are also important contributors to the Italian Navy through the subsidiary companies, Vickers-Terni, Ltd., Odero of Genoa, and Orlando of Leghorn.

One of the most extraordinary episodes of recent financial and industrial history is the latest rebuilding of the Russian Navy, in which British, French, German, Belgian, and American firms have been and are now co-operating with the Russian Government—an exhibition of internationalism as striking, in its way, as the Peace Conferences at the Hague, which the same Tsar called into being to put an end to the race of armaments. Fifty million pounds sterling is the estimated cost of this new fleet, the authorisation for which was extorted from the Duma a year ago. The capital is mainly found by French and other foreign investors; the interest is paid by poverty-stricken Russian peasants and workmen. Now, it is to be noted that patriotism is more extreme in Russia than in England—that is to say, it is ultra-Nationalist and ultra-Protectionist; it is also ultra-Clerical, and it is commonly associated with the giving and taking of bribes, but that is another story. The Russian Government has none of our British objections to the extension of State business; the more undertakings the Government has under its thumb, the more oppor-

tunities of profit are there for the ruling bureaucracy. Therefore, it was decided that, although foreign money and skill must be enlisted, they should be made as far as possible to serve the end of "the progressive creation of a national shipbuilding industry." So Vickers, Ltd. (who have just got the contract) are not to supply all the necessary guns, but to build a new gun factory under forms of a special company with a capital of £1,500,000. So, again, ships are not to be imported, but to be built by Russian labour, with Russian material, under foreign guidance. The first four Russian Dreadnoughts are now being thus completed, in St. Petersburg, under the supervision of John Brown and Co. At Nikolaieff, on the Black Sea, two other battleships are being built by a Franco-Russian company; while another is being built in a yard partly owned by Vickers, Ltd., who are also helping to supply the machinery of two of the Baltic vessels. Other machinery is being supplied under the supervision of Messrs. Blohm and Voss, of Hamburg. Russia now makes most of her own armour-plate, but orders have been placed in America and France. In ordnance, the foreigner has a greater advantage, and Vickers and Armstrong are now anticipating substantial orders.

The *Times* Engineering Supplement (June 25, 1913) has a significant editorial comment on these facts. In the old days, the masters of strategy held unmistakably "that a nation should keep its counsel and its materials for war alike to itself." This "established principle of secrecy" has been abandoned, and "the present interchange of ideas and traffic in war material between nations is a remarkable product of modern commerce and diplomacy." It is "regarded with complete equanimity. Yet it involves what is perhaps the most momentous paradox of the age," namely, that material equipment of navies and armies may become more uniform, but superiority "will rest with the nations which consider and assist the development of differences from established types"—a conclusion very comfortable for the War Traders.

Russia is potentially a wealthy country. At the other end of Europe lies the small and poor State of Portugal, desperately struggling to maintain her new Republican institutions. With a revenue of only £16,000,000 a year, she has a debt of £180,000,000, and the Budget commonly fails to balance. Yet the Government of Portugal has been persuaded that she must have a new Navy, and that only British builders can save her. Accordingly, a "Portuguese Naval Construction Syndicate," almost wholly British in composition, has just been formed, and has got its first

contract of £1,500,000. It comprises the firms of John Brown, Cammell, Laird, the Fairfield Co., Palmer's Thorneycroft's, and the Coventry Ordnance Co.* Time was when Englishmen bled for Portugal; now our old ally must bleed for us. So the weak pay for the patronage of the strong.

These great enterprises raise some interesting questions. From time to time there is a mild scare about England's position in the Mediterranean; and more frequently there is a demand for the strengthening of the land and sea defences of the road to India. Yet the only danger in this direction has been created by "patriotic". British capitalists. Suppose for a moment that the war these patriots often imagine—the life and death struggle between the Triple Alliance and the Triple Entente—were to come about. These arsenals and dockyards would, of course, be seized and used against us. Sir Andrew Noble or Mr. Vickers would, perhaps, describe this as an absurd supposition. If that be so, what are they building Italian Dreadnoughts for? If not against England, then against whom? Against our good friend, France? According to the " patriotic " theory, that would be much the same as building against England. Or against Turkey? But the same firms show their impartiality even by using their Italian yards to supply Turkey with warships she cannot use. Or against Spain? And at the same time they are providing Spain with a fleet to use, on this hypothesis, against the fleet they have built for Italy.

Politically, this sounds midsummer madness; as a business affair, it is methodical and profitable in the extreme. You persuade one State—Italy, for instance—that she needs more big ships or a new field-gun. The next-door neighbour —France, for instance—must soon follow suit, and there will be more orders. Meanwhile, another neighbour—Spain, for instance—is easily persuaded that her African interests are in danger, and that the British Dreadnought is the only type of insurance to meet the case. The pressure of business will now be transferred from Pozzuoli to Ferrol, and then round again. Or, to shift the scene, you find it, at a certain date, quite easy to persuade the Elder Statesmen of Japan that a modern Navy is necessary to their designs in China and Manchuria. Are you not the authors of Britain's might, and is not this the " Britain of the Far East "? All goes as you have foretold. But now Russia's humiliation offers her as an easy prey to your blandishments. Millions have a way of disappearing between the fingers of the Ministers of the Tsar. There have been numerous naval

* The *Economist*, May, 1913.

scandals in St. Petersburg, in which foreign agents have sometimes played a singular part. At last, however, Russia is getting her Dreadnought fleet, and Vickers and Brown are getting their profits. Let Germany look to her Baltic coast-line! She looks to it; and there is good business for Krupps, and the Vulkan Works, and the Deutsche Munitions-und-Waffen Fabrik. Now the Nobles and Mulliners, the Robertses and Beresfords, are all agog. England resounds with the anti-German tocsin, and votes of censure are killed by giving new contracts to Vickers, Armstrong, Brown, and companies. Parliament and the Press talk of a political crisis: all that has really happened is the completion of a new cycle in the ceaseless propaganda of the war-traders.

There are thousands of small transactions every year of which these large transactions may be taken as a very advanced type. For the best part of a century, England has freely spent money and life—we still spend many thousands of pounds yearly—in the effort to suppress slave raiders and slave traders in Africa and Asia, and to repel the attacks of tribesmen armed no longer with bows and arrows, but with modern rifles and cartridges. Where do these weapons come from? Who arms the hill-men of the Indian frontier, the road bandits of Persia who recently killed certain British officers; who arms the slavers of the Gulf, and the Arabs of the Tripolitaine, the Somalis and Abyssinians, the Albanians and Cretans, the Revolutionaries of South America, and the innumerable natives of inner Africa? Birmingham is not going to tell us the secrets of gun-running on the coast of Morocco. But this we know—that the British exports of fire-arms and ammunition (not including armour-plates and other large material) amounted in 1911 to £3,845,000, and that this "patriotic" trade is rapidly growing. We may be sure that, in this instance also, the curse of militarism comes home to roost.

V.—MORE INTERNATIONAL EXAMPLES.

The process of international trustification has gone further than I have yet indicated. How far we do not exactly know. In this, as in other departments of finance and manufacture, we are in a transition stage between that of really independent and competitive businesses, and of the all-embracing trusts of the future. The appearance of competition will be maintained as long as possible, because it is essential to the "patriotic" programme. "The war in the Balkans," says

the *Economist* (May 24, 1913), " has been, in one of its aspects, a competition between Krupp and Creusot, and the groups of bankers which support those eminent manufacturing concerns." There is no pretence here that the German firm is promoting German national interests, or that French policy will be aided by the success of Creusot "It is on both sides a mere matter of trade. But if Krupp and Creusot are real competitors, a little of the old illusion is still left.

In the business of loan-mongering, which is the lubricating agent of the armaments trade, international combination is becoming more and more common and powerful. The case of the so-called Quintuple Loan to China is a current illustration. Five Powers rally their financiers and organise them into a " pool " for the exploitation of the young Republic of the Far East. A British group outside this official ring, led by the London and South Western Bank, attempts, as the Americans would say, to " butt in " by offering China what seem to be more favourable terms. The British Government resists it with all its force. Meantime, Austria, which is not one of the five Powers, has been " jumping the claim." On April 10, 1913, agreements were signed in Pekin for two six per cent. loans, the one, of £2,000,000, in the name of an Austrian armaments firm, the Stabilimento Tecnico of Trieste, the other, of £1,200,000, in the name of a German firm, the Vulcan Works, Stettin. The two loans were negotiated as one transaction through the Austrian Legation, the terms being that about £1,500,000 should be paid in cash in 45 days, the rest to be retained by the negotiating houses pending a purchase of torpedo boats.* What on earth does China want with torpedo boats, especially at the moment when she is under the protection implied in the Quintuple Loan? Well, there it is; and it illustrates well the present mixture of competition and combination in the armaments trade. For the moment, the money-lenders have rather overdone their part. Already pressed by the costs of the Balkan War, the Paris bankers are called upon to finance the Civil War in Mexico. " The Stock Exchange has been staggered," says the *Economist* (May 24, 1913), " by this last item of 20 millions sterling which the Mexican Government hopes to get, at a usurious rate, from French investors. . . . Can we wonder that capital is becoming scarcer and that many legitimate and highly-productive enterprises all the world over are suffering? "

My own impression is that a wave of bad trade would expedite the process of trustification among the world's

* *Economist*, May 24, 1913, citing the Pekin Correspondent of the *Daily Telegraph*.

providers of war material, for it would put still greater pressure on them to save the losses of competition. In his speech in the Reichstag on April 18, 1913, Herr Liebknecht claimed to have discovered the existence of an international armaments trust for the sale of repeating rifles in Russia, China, and other countries. The component firms were said to be combined for the fixing of prices in common, and to have a general committee for fixing accounts, for propaganda through common agents, for technical help through the exchange of drawings, models, and so on. The firms named were Austrian, German, and Belgium. Naturally, this did not strike the German public as did the case of the Deutsche Waffens-und-Munitions Fabrik, a company holding a leading share in French companies, and using its influence in the Paris Press to stimulate Franco-German competition in armaments. An analysis of the directorships and affiliations of the Nobel Dynamite Trust affords no less remarkable an illustration of the cosmopolitan character which the modern war-trade is assuming. This British company, with its capital of £3,285,400, its net profits for 1911-12 of £381,900, and its regular 10 per cent. dividends, is a share-holding rather than a manufacturing concern. It is, in brief, an Anglo-German dynamite alliance. It holds the entire share capital of the Nobel Explosives Co., Ltd., has seven directors on the British South African Explosives Company, and is similarly connected with the Birmingham Metal and Munitions Company, the Chilworth Gunpowder Company, and a number of other British firms. On the other side, it is interested in the Dynamite Actien-Gesellschaft, formerly Alfred Nobel and Co., of Hamburg, the Dresdner Dynamit Fabrik, and two other German explosives firms. The Trust itself has a board of fourteen directors, of whom half a dozen are Germans; while one of the subsidiary companies, the British South African, has four Germans and one Frenchman on its board.

An even more extraordinary combination of British, German, French, Italian, and American firms has been in existence for the past decade—the Harvey United Steel Company. Although a dividend of 7½ per cent. had been paid in 1911, it was decided last year to wind the concern up—why, does not appear. It was registered in 1901 to amalgamate or control several companies holding the rights of the Harvey armour-plate patents. Other firms apparently came in afterwards. The managing director was Mr. Albert Vickers, chairman of Vickers, Ltd., with a holding of 2,697 shares. Other directors were Mr. Beardmore, of Wm. Beardmore and Co.; Mr. J. M. Falkner, of Armstrong, Whitworth; and Mr. C. E. Ellis, with a holding of 7,438

shares, representing John Brown and Co., the Coventry Co., and Thos. Firth and Co. The chief American partner was the Bethlehem Steel Co., holding 4,301 shares. The chief French partner was the Schneider Company with 9,862 shares. The combine had four French directors, two of whom held 2,000 shares each. This did not in any way prevent the collaboration of the two German armaments firms condemned in the Reichstag by Herr Liebkneckt, the Essen Company, holding 4,731 shares and having two representatives on the Board, the Dillingen Company having one representative and holding 2,731 shares. Finally, the Italian Terni Steel Company held 8,000 shares. Behind the manufacturers stood the bankers, the same extraordinary amity prevailing. The house of Ernest Ruffer, with 6,169 shares, linked hands with the Bougéres Freres, of Paris (3,000), on the one side, and the Deutsche Bank of Berlin (1,350) on the other. In forty years all the Peace Societies have not succeeded in effecting such a Franco-German reconciliation as this. In the share-list, Mr. Newbold found the names of one British General and two Major Generals; and "behind these were the shadowy figures of a vast host of Princes, Peers, Ministers of the Crown, soldiers, sailors, and clerics." A veritable Brotherhood in Arms. I cannot believe that the Harvey United Steel Company is really dead. Somewhere it has surely had a glorious resurrection; under some metamorphosis, it surely lives and works to prove the pettiness of national prejudice, and the ease of forgetting such sores as Alsace-Lorraine, when men have learned the golden wisdom of "good business."

VI.—A "PRIVATE AMBASSADOR" AT WORK.

This information we owe to the mild rules of publicity imposed upon public companies in this country. Of the inner working of the armament firms in general, and the international combines in particular, we know very little; but on several occasions the curtain has been lifted for a moment, with the most enlightening results. I will give some brief illustrations of how their agents scout for orders, of how their managers find their two great kinds of opportunity—an international crisis, and a great "scrap" of war material—and of how they command the service of Governments, Liberal and Conservative alike. Let us take the lesser agents first.

On December 14 and 15, 1904, one Robert Lawrie Thompson, formerly a special correspondent of the *Times*, took action in the Chancery Division, before Mr. Justice Warrington, against Sir W. G. Armstrong, Whitworth, and Co., Ltd., claiming an account and payment of commission and other sums alleged to be due from the firm or its predecessors, Armstrong, Mitchell, and Co., with regard to orders for warships and other war material from the Governments of Chile, China, and Japan, during the years 1892-3. The case is only briefly reported; but the following details are given in the *Times*. After Mr. Danckwerts, K.C., had outlined the plaintiff's case, Mr. Rufus Isaacs, K.C., for the defendants, said he was glad to be able to inform the Court that the parties had arranged terms of compromise which it was not necessary to state publicly. Proceedings were accordingly stayed, and who will doubt the wisdom of the great Armstrong firm? But, as the following statement was published without contradiction, its substantial truth may be taken as admitted, particularly as a former member of the staff of the *Times* was concerned.

"It appeared," says the report, "that the plaintiff, from his previous avocation, knew a great many things that were going on in various parts of the world, and was personally acquainted with many foreign personages and officials in high position. His engagement with the defendant firm was not that of an ordinary commission agent; his business was to find out what was happening in various foreign countries, to let his employers know what was likely to be required, and generally to prepare the ground for orders for warships and war material. His position, in fact, was somewhat analogous," said counsel, "to that of a private diplomatic agent or ambassador." This is credible enough. All foreign correspondents of leading journals have peculiar sources of information; many of them have considerable influence in the countries where they reside. It is the pride of the *Times* to maintain something as nearly as possible approaching the *status* of a diplomatic service. De Blowitz in Paris and Dr. Morrison in Pekin are only two of the notable names in this hierarchy; and do we not know that Mr. Bourchier, the special correspondent of Printing House Square in the Balkans, was one of the authors of the Balkan Alliance?"

From 1886 to 1897, then, Mr. Robert Lawrie Thompson was "private diplomatic agent or ambassador" for the Armstrong Company; and up to September, 1894, he was also special correspondent of the *Times*, ceasing to act in the latter capacity "owing to a difference of opinion on the political situation in the East." His first field of operations, in 1886, was Spain and Portugal; but "this did not turn

out a very profitable business." It was a very different world in 1886; the first modern navy scare—that of Mr. Stead and Lord Charles Beresford—had only just set going the great ocean race. Who knows? It may be the bread Mr. Robert Lawrie Thompson then cast upon the waters that is now returning in fat contracts to the Brown-Cammell and Armstrong-Vickers-Brown combines. In 1890 Mr. Thompson began to represent the firm in Argentina and Chile, "in which latter country," said counsel, "he had special advantages for obtaining orders." What the "special advantages" were, we are not told; but, apparently, the result was satisfactory, for in August, 1892, this remarkable commission arrangement was arrived at with regard to operations by the "private ambassador" both in South America and in further Asia: "2½ per cent. commission on the cost of hulls and engines of orders for war vessels for Chile; 5 per cent. on orders for other war materials; 1 per cent. on the hulls and engines and all war material ordered by China and Japan during plaintiff's residence there and for one year afterwards; £1,000 towards expenses." Mr. Thompson went to China in 1893. In February, 1894, he had a difference with Sir Andrew Noble; and six months' notice was given to terminate the contract. The misunderstanding was cleared up, however; and the arrangement went on. In March, 1895, Mr. Thompson returned to England; and soon afterwards a subsidiary agreement was made by which, in addition to the one per cent. commission, he was to receive £3,000 a year for expenses for a period of a year and a half from the following August. He did, in fact, remain in the East for that period —till May, 1897; and it was in regard to sums outstanding under these agreements that he took action against the Armstrong Company. How much Mr. Thompson claimed, or how much Armstrong's paid, we do not know. It will be seen that there was to be at least £5,500 for expenses alone; as the arrangement lasted so long, it is probable that the other payments were substantial.

What is it in this story that shocks the mind of the ordinary peaceful citizen? Evidently businesses of the magnitude of those with which we are dealing must have their agents and travellers, open and secret. What vaguely moves our disgust is, perhaps, just this, that it should be necessary for a certain class of British manufacturers, for whom a peculiar degree of patriotism has been claimed, to maintain abroad a service of scouts whose profit depends on their power of inveigling smaller foreign nations ("half-devil and half-child," as the bard of empire called them), into the deadly feuds and the abominable waste of the

"Great Powers." We know in our hearts that, in the case of these small States, the conventional arguments have none of the plausibility they have in England, France, or Germany. If Portugal is in danger, two or three battleships cannot save her. China no more needs torpedo craft than Canada needs Dreadnoughts. The only reality on which such a trade can be based is the readiness for violence which seems to exist in and between certain South American States. Civil war or international war, no matter —the agent of some British Trust stands at the elbow of the rival freebooters, and his trade depends upon their savagery. We are parties to solemn treaties closing large parts of the earth to the traffic in arms. We keep gunboats here and there to repress this illegal traffic. At the same time, arsenals and dockyards inseparably bound up with the British State are carrying on a larger traffic essentially of the same character. All over the world the name of England is being thus damned, in the eyes of the peoples and posterity, as the supreme exemplar in the arts of homicide. The iniquity of dumping opium upon a reluctant China has at last been most practically recognised. When shall we see that the trade in big guns and high explosives is equally a trade in poison?

VII.—IS IT CORRUPT?

Whether in a more limited sense it is a corrupt trade is a question we can hardly overlook at the present moment, but it is altogether a subordinate question. During his visit to South America in 1911, M. Clemenceau declared that French guns were beaten by German guns in Argentina, not because of their superior make, but by the more liberal bribes given by German agents. I have listened in Constantinople and St. Petersburg to astonishing tales, and travellers familiar with Portugal and Spain, Italy, and China could probably cap them. In some of these countries bribery is the rule rather than the exception. That, happily, cannot be said of England. But corrupt practices are still so prevalent as to have led recently to the establishment, under the presidency of Sir Edward Fry, of a "Secret Commissions and Bribery Prevention League," the purpose of which is to secure the full administration and the strengthening of the Prevention of Corruption Act,

1906.* It appears that the War Office has expressed its sympathy with the work of the League, and the Admiralty has shown its zeal by forbidding the sale in canteens of any kinds of goods with which prize coupons are given away! The League has had before it cases of "alleged bribery of or by . . . army agents . . . canteen managers . . . company secretaries . . . Government officials' . . . manufacturing engineers . . . metal merchants, military contractors, and naval contractors." Although the secrecy maintained by the Admiralty and War Office with regard to their lists of contractors is calculated to give an unfavourable impression, I know of no evidence that the armaments trade is more liable than any other to the petty forms of this evil. As I have said, we do not know what were the "irregularities" which crippled Cammell, Laird and Co. in 1907; but the punishment was a heavy one. And, in a higher sphere, the Netheravon case,† like the Marconi case, suggests that, at least whenever Party interests can be served, a dubious transaction is likely, sooner or later, to attract public notice. Sensational as these incidents may prove, their importance is small in comparison with the normal and accepted conditions of the trade in arms. The tongue of scandal wags if a Minister sells a piece of land to the Government in which he holds a place, or buys a piece of land from a fellow Minister or a Parliamentary supporter. But the purchase of warships, guns, ammunition, and other supplies from companies in which friends, relatives, and supporters of Ministers are managers, directors, or shareholders is part and parcel of the British governing system. Powerful associations, many of whose members are shareholders, exist to foster, if not the trade directly, the particular superstition on which this trade thrives. It is, apparently, quite in order for a director of one of these companies to demand, from his place in the House of Commons, greater expenditure, some of which will go into the pockets of his firm. It is not simply in order, it is proof positive of patriotism, that the leaders of a great Party should set themselves to create a cloud of panic that will presently burst in a blessed rain of dividends among their followers.

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* In commending the work of the League, the *Times* spoke of this evil as "a canker that has eaten deeply into the commercial integrity of which this country is justly proud." See "The War Against Bribery," by the Hon. Secretary, Mr. R. M. Leonard. The League's Offices are at 8 and 9, Queen Street Place, London, E.C.

† In 1899, Sir Michael Hicks-Beach's Netheravon estate, on Salisbury Plain, was purchased by the War Office, with the assent of the Treasury. Sir Michael was at the time Chancellor of the Exchequer, and therefore left the management of the matter to Mr. Balfour and Mr. Goschen. The net rental of the 7,817 acres was £2,629, and thirty-five years' purchase was given. The valuation for death duties was £43,037, the actual purchase price £93,411.

It is to this class of fact, rather than to any possibility of the pettier kind of corruption, that I wish to draw the reader's notice.

VIII.—" MOST VALUABLE ASSISTANCE."

Is it, perhaps, as a guarantee of purity of administration and perfect integrity that the boards of the companies and combines are packed with representatives of what, for brevity, I may call the governing and decorated classes? Take Armstrong, Whitworth's, for instance. The Chairman, *Sir Andrew Noble*, is a Baronet and Knight Commander of the Bath, Commander of the Order of Jesus Christ of Portugal, Knight of the Order of Charles III. of Spain, Grand Cross of the Crown of Italy, First Class of the Sacred Treasure of Japan, and he also carries Turkish, Chinese, and Brazilian honours thick upon him. Need I add that this Cosmopolitan " patriot " is a Conservative and a Tariff Reformer? To balance matters a little, the Vice-Chairman is the Right Hon. *Lord Rendel*, formerly friend and host of William Ewart Gladstone, and father-in-law of Henry Neville Gladstone, who is also a member of the Armstrong Board. Other directors are *Sir G. H. Murray*, G.C.B., P.C., I.S.O., who was private secretary successively to W. E. Gladstone and Lord Rosebery, and was Permanent Secretary of the Treasury from 1902 to 1911; Col. *Sir Percy Girouard*, R.E., K.C.M.G., D.S.O., who was Governor of Northern Nigeria till 1909, and Governor and Commander-in-Chief of British East Africa thence till last year; Rear-Admiral *Sir Charles Ottley*, K.C.M.G., M.V.O., formerly British Naval Attaché in the United States, Japan, Italy, Russia, and France, Naval Assistant Secretary of the Defence Committee in 1904, from 1905 to 1907 Director of Naval Intelligence, and thereafter Secretary of the supreme war-board of the Empire, the Committee of Imperial Defence. At the last annual meeting of the Company, Sir Andrew Noble spoke gratefully of the " most valuable assistance " of these gentlemen; and, indeed, " most valuable " it must be, for there could hardly be found three men carrying with them a completer knowledge of the inner working of the British Government, to say nothing of their personal influence and capacity. Among the trustees for the debenture holders of Armstrong's stand Earl Grey, formerly Governor General of Canada, and the Hon. Alfred Lyttelton, K.C., formerly Colonial Secretary, and an active member of the Front Opposition Bench.

The other companies approach as near as they can to this

remarkable achievement. Lord Aberconway, a prominent Liberal peer, is chairman of John Brown and Co., which includes on its board two distinguished officers, Lieut.-Col. G. S. Davies and Captain Tressider, C.M.G. Lieut. Sir A. Trevor Dawson, formerly of Woolwich, is one of the managing directors of Vickers, Ltd., of which Sir Vincent Caillard, the distinguished financier who has so often been engaged in special political duties for the British Government, is also a director. The Hon. H. D. Maclaren, M.P., Lord Aberconway's eldest son, is a director of Palmer's. Lord Pirrie, chairman of Harland and Wolff, is also a debenture trustee of John Brown and Co., of Thomas Firth and Co., and of the Coventry Ordnance Co. Lord Ribblesdale is a director of the Nobel Dynamite Trust. Sir A. T. Hadfield, another Liberal, is chairman of the Hadfield Foundry Co., Ltd. Lord Balfour of Burleigh is a debenture trustee of the Coventry Co., and of Beardmore's, of which the Marquess of Graham is a director. Mr. S. Roberts, M.P., is a director of Cammell, Laird, and Co. Admiral Lord Charles Beresford, K.C.B., M.P., is chairman of Henry Andrew and Co., manufacturers of steel for armaments. Admiral Sir G. Digby Morant, K.C.B., formerly superintendent of Pembroke and Chatham dockyards, is a director of the Fairfield Co. Admiral Sir Cyprian Bridge, G.C.B., formerly Director of Naval Intelligence, is a debenture trustee of Thorneycroft's. Admiral Sir Archibald Douglas, G.C.V.O., formerly a Lord of the Admiralty, is a director of Hadfield and Co., Palmer's, and Richardson, Westgarth's. General Brackenbury, C.B., K.C.B., G.C.B., K.C.S.I., formerly Director of Military Intelligence, and Director of Ordnance at the War Office, is director of the Hadfield Foundry Co. Lord Sandhurst, G.C.I.E., twice Under-Secretary of War, is, or was, a debenture trustee of Vickers. Major-General S. Nicholson, C.B., formerly Assistant-Director of Artillery at the War Office, and Colonel-Commandant of the Royal Artillery, is chairman of the board of the Guncotton Powder Co., Ltd., where his past experience should surely prove "most valuable." Major-General Micklem, R.E., is a director of the King's Norton Metal Co. The Hon. H. C. L. Holden, C.B., formerly head of the Royal Gun and Carriage Factories at Woolwich, retired from the Royal Artillery this year, is a director of the Birmingham Small Arms Co., Ltd., of which Sir H. Rogers, ex-Mayor of Birmingham, is chairman. And so on. It is not suggested, of course, that the debenture trustees named have directorial powers; but their position as financial watchdogs is significant.

The tradition of a passage to and fro between high Government posts and the direction of the contracting companies

has arisen gradually, though its recent extension has been rapid. In 1863, the first great modern warship designer, Sir Edward Reed, was called from private work to be head of the construction department of the Admiralty. After "opening a new epoch" there, and giving the world many interesting examples, he retired in 1870, and joined Sir J. Whitworth in his ordnance works. Afterwards, he became chairman of Earle's shipbuilding works at Hull, and directed the construction of warships for a number of foreign Powers. Sir W. H. White, having been in the construction department of the Admiralty from 1867 to 1883, then undertook the organisation and direction of the warship building department of Armstrong and Co. In 1885, after the Stead-Beresford scare, he returned to the Admiralty as Chief Constructor, remaining till 1902, when he received a special grant of money from Parliament in recognition of his services. His successor was Sir Philip Watts, who had been naval architect and director of the warship building department of Armstrong's from 1885 to 1901.

What do these facts imply? Firstly, that these immensely-wealthy and powerful companies and combines are entrenched firmly, perhaps irremovably, in the governing class of Great Britain and its dependencies. Their forty or fifty or sixty millions of capital largely belong to this class, many members of which would be gravely injured by any arrest of the competition in armaments; and millions of yearly dividends, beside salaries, directors' fees, and trustees' *honoraria* are distributed largely within this class, creating, consciously or unconsciously, in it the permanent temper of militarism in which our "service" Estimates are conceived and carried.

Secondly, that they command the kind of skill and special knowledge which is popularly supposed, and surely ought, to be the exclusive property of the Government. Upon that kind of skill and special knowledge the safety of the kingdom and the empire is supposed to depend; yet we see it being offered like any common commodity to, and bought by, companies increasingly cosmopolitan in character, companies constantly building for foreign purchasers, building in foreign yards, partners with German, French, Italian, and other manufacturers. Much of this special knowledge was once secret information, obtained in the very highest and most strictly-guarded recesses of the Government service. All the Members of Parliament at Westminster cannot persuade Sir Edward Grey to subject his department to the gaze of a responsible Foreign Affairs Committee; but Secretaries of the Treasury, Colonial Governors, dockyard superintendents, Directors of Naval and Military Intelligence, high

Army and Navy officers, and even Secretaries of that *sanctum sanctorum*, the Imperial Defence Committee, are perfectly free to carry the experience they have thus confidentially gained at the cost of the State into the service of an abominable private trade. That seems to me a scandal beside which the Marconi affair and other affairs of the kind pale into insignificance.

IX.—ECONOMICS OF A NAVAL "SCRAP."

The fact is—and this is the upshot of the whole matter—the British Government, perhaps the strongest in the modern world, is powerless before the monstrous array of interests which I have superficially examined. I said that its two great opportunities lay in the "scrap" and the "scare." We have become so much accustomed to the "scrapping" of machinery in productive industry that what is politely called "the progress of invention" is accepted as inevitable in the trade of armaments also. Few men stop to think of the essential difference between a new and ultimately cheaper process of spinning cotton, or building high structures, or refining metal, or transporting corn, and a new and for ever more expensive type of warship, cannon, rifle, or ammunition. In the former case, the ordinary course of commercial competition secures a real gain, in which the public has some share; the inventor fails unless he can give a better or a cheaper result than that already existing. Even in the world of luxury, a relatively limited sphere, there is usually something of beauty or amenity to compensate for much waste. The business of armaments alone is pure waste, and pure waste upon an ever-extending scale.

Why ever extending? One answer to this question is that, although it is the chief concern of Governments, the provision of armaments is not a Government monopoly, but, for the most part, a private trade. As such, it has these great advantages over other trades in the exploitation of inventions—the cost is practically immaterial, since there is a national purse to dip into; there is no question of securing, as every other invention must, a cheaper or more publicly profitable commodity; and there is no visible end to the process of "scrapping." All you have to do is to invent a more deadly weapon, and then play upon the fears, real or assumed, of every Government for every other Government. "Humanity?" Rubbish, my dear sir, this is the Trade of Death, and no nonsense about it. "Patriotism?" Read

the life of Robert Whitehead, the inventor of the modern torpedo, and consider other instances I have set forth. Consider the stake: we are not dealing here with paltry thousands, but with millions and scores of millions.

Even a sketch of recent "scraps" and scares would require a substantial volume. There are two central points of interest—1884 and 1905. The former is the year of the Navy panic created by W. T. Stead, Arnold Forster, and Admiral Lord Charles Beresford. It led to a whole series of great shipbuilding programmes, and greatly stimulated the Imperialist reaction culminating in the South African war. Every new step of successive First Lords—Lord George Hamilton, Lord Goschen, Lord Spencer, Lord Selborne, Lord Cawdor, Lord Tweedmouth—was going to be the last. Goschen was the great plunger: in five years he brought up the naval charges from £19,500,000 to £31,500,000 a year. During one debate he pooh-poohed Lord Charles Beresford as an "irresponsible person." The caustic reply was that "the Government has done everything, or nearly everything, that I have wanted them to do for years past." Lord Charles added a distinctly naughty story of a certain First Lord who declared one day that "if he had a couple of millions for the Navy he would not know what to do with it, but shortly afterwards came down to the House and said that if he did not have six millions we should lose the Empire." So far, we had been, ostensibly, building against France and Russia. In 1904, Lord Selborne brought the Navy Estimates up to £37,000,000, though the Russian fleet had been destroyed and the Anglo-French Agreement concluded.

Then came Admiral Sir John Fisher's great "scrap," the philosophy of which is explained in an appendix to the Estimates of 1904-5. A new and shorter estimate of the effective life of warships was adopted which condemned most of the vessels recently built as worthless. In twenty years, we had spent about £450,000,000 in the vain effort to establish a maritime despotism. In five years, the cost of the Navy had doubled; in twenty years, it had quadrupled. We had not fought a single considerable naval battle in that period; yet the greater part of a sum which would have sufficed to establish old-age pensions and industrial insurance in perpetuity without further charge was now represented only by scrap-iron. The whole classes of "protected" and "unprotected" cruisers were condemned as practically useless, except for "police" purposes, a verdict affecting 115 vessels, which had cost between £35,000,000 and £40,000,000. Of these, 34 vessels were only five years old. The 38 cruisers of Lord George Hamilton's 1890 programme, and all of the same type for

which Lord Goschen and Lord Selborne were afterwards responsible, were dismissed to the scrap-heap.

You may suppose that such a lesson as this could not soon or easily be forgotten. If so, you do not realise what it is to live under a tradition that we must give everything the Admiralty and its contractors ask for. The mass of toilers, who do not read Parliamentary reports or State papers, never heard of Lord Fisher's great "scrap," or never understood it. The "governing classes" understand it—otherwise. For them it was really the preparation for a new start, a Spring cleaning of the Whitehall Casino in readiness for a new gambling season. The sacrifice of old ships should have resulted in a large economy. The memorandum announcing it stated that £4,500,000 a year would suffice for their replacement. Yet the next vote for new building was £11,500,000.

Next there appeared the new portent, the Dreadnought, laid down on October 2, 1905, and out at sea a year later. In whose brain this colossal slaughter-machine was conceived, we do not know; we only know that it was a British brain—no foreign enemy jealous of our power or possession put this threat upon us—and that many millions have been paid to private traders to duplicate and still further improve it. At a stroke, the competition of navies, of which we bear the heaviest cost, was, by our action, lifted to a yet higher and costlier plane. The United States followed suit in 1906, Germany in 1907. Pre-Dreadnought types now scarcely counted. Large classes of ironclads and cruisers recently built were again rendered practically obsolete. A few months before, most of them had been officially given an effective life of from 15 to 22 years. What this new scrap-heap represents in cash—otherwise, in lost labour—it is hardly possible to say, perhaps £70,000,000 or £80,000,000. The sequel is fresh in all our memories. Dreadnoughts have developed into Super-Dreadnoughts. The original of the type had a displacement of 17,000 tons; they are now building to 29,000 tons, and the cost is in proportion. Thirty of these monsters have been or are being built, at a cost of seventy or eighty millions sterling. Now, the aeroplane and airship threaten to revolutionise warfare; and experts are talking of an altogether new type of warship, driven by gas or oil fuel, with internal combustion engines, which will abolish the existing type of vessel.

Such is the punishment to which science dooms human folly. Invention and large-scale production govern the making of the machinery of manslaughter as well as of useful commodities. But with what a different result! It

is an automatic multiplication of evil. Every step in the increase of armaments is bad in itself, but it is worse in leading to a new stage of still greater waste and provocation. Yet all the forces of Governmental power and trading interest go to stimulate the process. What a satire it is on our claim to be an enlightened people that the only great manufacturing business the direction of which we entrust to the State is the one which is a perfect embodiment of the worst human passions, and the most elaborate system of organised waste ever conceived by the wit of man!

X.—HISTORY OF A GREAT SCARE.

"We have been hasty in the scrapping of cruisers," says the *Naval Annual* for 1912. But what would you? The War Traders must live; the Government has allowed a vast interest to grow up of which it is no longer master. The theory of the matter we take to be that the State arsenals and dockyards are kept up only sufficiently (1) to afford a means of floating new types and testing contract prices and qualities, and (2) to permit of the necessary expansion in time of war. We really depend upon Armstrong's, Vickers, and the rest. I have said that many of these firms carry on other branches of manufacture. They have laid down enormous plants; they are continually engaging more capital, establishing new factories, enlarging their lists of workmen. They have every reason, even in prosperous times, for attempting to cajole or coerce the Government to give them new orders. We have seen something of the political influence they can command; and we have the evidence of Sir Robert Chalmers before the Estimates Committee of 1912 that Treasury control, always limited, "in the case of the Army and Navy is very small indeed as regards material and contracts generally—contracts for the building of ships, the purchase of guns."* But imagine the position of these companies when trade is depressed, or when, for any reason, they are individually suffering a slack time. We may be sure that every nerve is then strained to obtain Government work; and, if the easiest and most effective argument is an appeal to international jealousy and fear, are we not properly punished for our credulity? To give the devil his due, the system in which Patriotism

* Pp. 277, Question 30.—Asked whether the Treasury had any expert means of checking the cost of Army and Navy contracts, Sir Robert Chambers replied: "None whatever." The Admiralty itself "have practically the whole control." —Questions 73 and 89.

is the means and Profit the end is much older than the present generation of armament contractors. They have but bettered an ancient tradition, one that will last as long as the servility of the people. The offence which led to the downfall of Mr. H. H. Mulliner was not that he raised a baseless scare, but that, his success having benefited other companies rather than his own, he overstepped all discretion in his complaints.

Briefly, this is the story: In 1905, Mr. Balfour's Government was in power, and the prospect for the armaments trade, under the new conditions introduced by Lord Fisher's great "scrap," was of the best. In June, the Coventry Ordnance Company was established, in the manner already described; and, in the following month, speaking at the annual meeting of the chief parent firm, John Brown and Co., Sir Charles Maclaren was reported as "expressing pleasure that Sir John Fisher was determined to go on building battleships, because that was certain to bring more work to their company." In December, however, Mr. Balfour resigned; and in January, 1906, the Campbell-Bannerman Government was confirmed in its place by the most emphatic verdict recorded in any modern General Election. The very completeness of the rout may have suggested to the energetic and resourceful mind of Mr. H. H. Mulliner, managing director of the Coventry Ordnance Company, the need of a campaign independent of the discredited Tariffists.

The "Diary of the Great Surrender," which Mr. Mulliner himself afterwards published (*Times*, Jan. 3, 1910) contains these two entries, which practically cover the period of the campaign:—

> "May 13, 1906, Mr. Mulliner first informs Admiralty of preparations for enormously increasing the German Navy. (This information was concealed from the nation until March, 1909)."
>
> "March 3, 1909, Mr. Mulliner, giving evidence before the Cabinet, proves that the enormous acceleration in Germany for producing armaments, about which he had perpetually warned the Admiralty, was an accomplished fact, and that large quantities of naval guns and mountings were being made with great rapidity in that country."

For three years, in fact, Mr. Mulliner gave himself to the work of propagating the myth of a gigantic expansion of Krupp's works, in particular, and German acceleration in general. It was an underground campaign (the indiscretion came afterwards); but we gather from the subsequent

letters and speeches* that Mr. Mulliner's "information," sent first to the War Office in May, 1906, was "passed on to the Admiralty," "was discussed by them with several outsiders," and then "passed from hand to hand so that hundreds have read it." Of this "information," I need now say nothing more than that, as soon as it became public, it was emphatically contradicted by Messrs. Krupp, through Mr. John Leyland, M.P., and other correspondents, that, after some years it was practically admitted by the Government to be false, and that time has proved that it never had any real basis. It was, nevertheless, propagated with unremitting zeal, in forms more and more lurid, and with the gradual assent of the leaders of the Opposition. But plans and proposals made by the Coventry Works to the Admiralty were apparently rejected in 1907 and 1908.

In April, 1908, Sir Henry Campbell-Bannerman was succeeded by Mr. Asquith, and the Ministry was reconstructed, with Mr. McKenna at the Admiralty. The new combination was far from being suspected of "Little Englandism" or a slavish regard for peace and economy; but it was considered to have great personal strength.

In the following autumn, Mr. Blatchford opened his incendiary campaign in the *Daily Mail*. At the same time, in November, 1908, Mr. Mulliner, according to his own account of the matter, "was fortunate in obtaining a hearing from one of our greatest generals"—presumably Lord Roberts, who, in the House of Lords on November 23, prophesied "a terrible awakening in store for us at no distant date." Mr. Mulliner attributes to this powerful aid the subsequent surrender of the Government to the scare-mongers.

We have now reached the crisis of March, 1909. On the 3rd of that month occurred the extraordinary incident of Mr. Mulliner's solemn reception by the supreme governing body of the Empire, the Cabinet in Council assembled at Downing Street. Ten days later, the statement explanatory of the Navy Estimates was published. It showed a total of £35,142,700 for 1909-10, an increase of £2,823,200, new construction accounting for an increase of £1,340,000. This was to allow for the building of four Dreadnoughts and other ships; and the Government asked for power to build four other Dreadnoughts contingently on its fears of German acceleration being justified. The Estimates themselves, the discussion of them on March 16 and subsequent days, the attitude of the Opposition leaders, and the after-action of the Government, all bear strong marks of the secret cam-

* Mulliner's own communications (*Times*, August 2 and 16, September 21, December 14 and 17, 1909; January 1, 3, 6, 7, 8, 12, 15, and 18, 1910); a speech at Bedford (*Times*, December 20, 1909) Mr. M'Kenna (*Times*, January 7 and March 17, 1910); Mr. Duke, K.C., M.P., and other speakers in the Estimates discussion on March 16, 1910.

paign of untrue information on which Mr. Mulliner and his friends had been engaged for three years. Mr. Balfour performed prodigious feats of imaginative calculation as to Germany's future Dreadnoughts. The Government had foretold 17 for March, 1912. Admiral von Tirpitz told the Budget Committee of the Reichstag (on March 17) that there would be only 13 in the Autumn of 1912. Mr. Balfour declared they would have 25, or, in any case, 21, in March, 1912. This "danger point" being long past, we can now test the various prophets by accomplished fact. Admiral Tirpitz has been fully justified by time: Germany had, in fact, only nine Dreadnought battleships and cruisers on March 31, 1912, and only 14 on March 31, 1913. The British Government calculated 17 for March, 1912; this number is now expected to be reached in March, 1914!* As for Mr. Balfour's estimate of 21 or 25———!

But we anticipate. However incredible it may now seem, in March, 1909, the untrue information first floated by Mr. Mulliner, of the hitherto-unfortunate Coventry Ordnance Works, purveyed by him to the aforesaid famous general, to Mr. Balfour, Lord Cawdor, Mr. Lee, and a number of other M.P.s, including Mr. Sam Roberts, of Sheffield, his "former co-director" in Cammell, Laird's, and above all, to the Cabinet itself; then purveyed by all these gentlemen, in various degrees and forms, to Parliament and the Press—this information swept the country off its feet. Croydon was carried triumphantly on the cry: "We want eight, and we won't wait." Mr. Balfour's vote of censure was rejected; but Ministers had accepted the grave (as the event proved, the shameful) charges against the German Government, and, as the "Annual Register" says, "All but the extreme economists were silenced." On July 26, Mr. McKenna announced that the four "contingent" Dreadnoughts would be laid down forthwith.

One of the first new contracts was given to Cammell, Laird, and at a meeting of the Company, in which Mr. Roberts, M.P., took part, "there were," according to the *Times*, "many expressions of sympathy with the directors, and admiration for their work." But what of Mr. Mulliner's own concern, the Coventry Ordnance Works? It was constantly in evidence during the scare, chiefly by heckling questions in the House as to whether it was receiving orders, and, if not, why not. Apparently it was still not favoured by the Admiralty. As time went on, and the public

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* "Naval Annual, 1912," p. 81, where the following figures are given:—

	Britain.	Germany.
March 31, 1912	18	9
„ „ 1913	28	14
„ „ 1914	34	17

agitation subsided, Mr. Mulliner's soul burned within him. But the appetite of the Jingo Press was, for the moment, sated. The *Times* told him plainly (January 5, 1910) that his "diary," directed against the Government, was "somewhat less than just, and not a little misleading." But the unpardonable, the fatal thing for Mr. Mulliner was his avowal of the authorship of the scare, and, in particular, of his visit to Downing Street. Ministers may have to bow to a storm originated by the armament traders; but they could never consent to have the true history of such an episode publicly advertised. Mr. Mulliner was politely warned off. He had vindicated his right to a niche in our political history, at the cost of his post. He retired with compensation, and was succeeded as managing director by a man of greater discretion. Rear-Admiral R. H. S. Bacon, C.V.O., D.S.O., approached these matters with a complete knowledge of official traditions, for after being first Captain of the Dreadnought, he was Naval Assistant to the First Sea Lord, and from 1907 to 1909, Director of Naval Ordnance and Torpedoes. Under him, the Coventry Company has received heavy Government orders and has increased its capital from a £1,000,000 to £1,400,000.* From which, we may see that a successful agitator must sometimes be content to keep his mouth shut, and that there is more than one reason why high officials go into this particular trade.

XI.—CONCLUSION.

To sum up: The great bulk of the so-called defence expenditure of the British Empire goes into the hands of private profit makers. It is an immensely large and lucrative trade. It consists of companies and combines, the strongest of which are closely allied, and compete less and less. It is essentially, and is becoming more and more, a cosmopolitan trade; its owners' nationalist pretentions are, therefore, rank humbug. It employs the usual touting arts of commerce; but it also manufactures two special kinds of opportunity:—(1) The flotation of new types of arms, which result in enormous "scrapping" of existing material; and (2) The international scare, of which the Mulliner "crisis"

* At the annual meeting of John Brown and Co., on July 1, 1913, Lord Aberconway said: "Coventry was improving, but it was a great drag on their finances, and would be for some time. The place was now fully recognised by the Government as an essential part of the national armament works. Last autumn he went over the Scotson works, where they made the heavy naval mountings, with Mr. Winston Churchill, who gave him an assurance—which he had carried out—that Coventry would now be regarded as one of the most important supplying firms for the Government, instead of being cold-shouldered, as it was for many years past."—(*Times* report.)

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of 1909 is a type. It is these two processes which mainly account for the ruinous level of our present national expenditure. In the person of retired military, naval, and civil servants of the highest rank whom it employs, the trade possesses secret information supposed to be available to the heads of the Government alone. And it is so firmly entrenched in the governing class of the country that no Ministry has yet dared to make a serious effort to dislodge it.

Such is the modern trade of arms; and I will add only one word about it. If British Democracy does not soon find a way of destroying this Hydra, it will destroy British Democracy.

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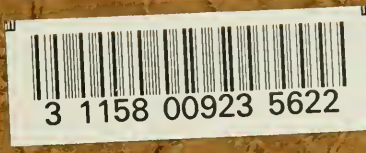
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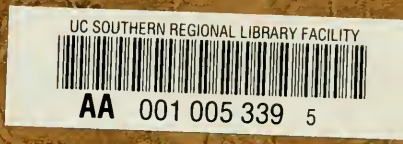
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